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Correspondent of The National City Bank of New York

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THE NATIONAL CITY BANK OF NEW YORK

1923

Economic Conditions
Governmental Finance
United States Securities

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General Business Conditions

THE outlook for business has changed in no pronounced way in the last month. The stock market was firmer in the middle of the month, but lost its gains later. Its technical position is stronger by reason of the liquidation that has occurred over recent months, the volume of loans being much reduced.

The average closing price of the New York Times list of 50 representative stocks was 78.45, on July 28, which compares with a high during the month of 82.17 on the 23rd, and with a high for the year of 92.52 on March 6. For 1922, the high on these stocks was 93.06 on October 18, and the low, 66.21 on January 10; for 1921, the high was 73.13 on May 6 and the low was 58.35 on June 21. The average closing price of the Times list of 40 domestic bonds on July 28 was 76.49, which compares with a high for the month of 77.05 on the 23rd and a low of 75.95 on the 5th. The high for these bonds in 1923 was 79.43, on January 3rd, and the high in 1922 was 82.54 on August 22nd.

The total loans and investments of member banks are just about as they were a month ago, slightly below the figures of three months ago, and 13½ per cent above the low point of 1922. Earning assets of the twelve reserve banks on July 25 were $1,033,697,000, against $1,076,927,000 in the corresponding week of last year. Bank clearings in 116 cities, not including New York, in the first half of 1923 were 22.7 per cent greater than in the corresponding period of 1922 and in the same cities for the month of June were 14.1 per cent over June, 1922. For the week ending July 12 the increase was 13.2 per cent over last year, New York omitted on account of the fluctuations in stock exchange transactions.

Retail business continues good over the country generally. Sales of department stores in this Reserve district in June as reported to the Reserve Bank of New York were 11 per cent above those of June last year and are reported as running at about the same rate in July. Mail Order houses are doing a good business. Orders at wholesale are restricted to immediate needs, which has little significance at this season, but it is evident that there exists little of the apprehension manifested in the Spring about ability to get goods or to cover future needs. Nevertheless, dealers generally express confidence in a good volume of trade this Fall. The policy of restricted buying which became noticeable in April, after a rather spasmodic outburst in the early Spring, has had its effect upon prices all along the line. The average shown by the Bureau of Labor table for June is down 3 per cent from that of May and about 5 per cent from April. Of course, in some commodities the reduction is much more. As usual, raw materials have suffered more than finished goods. Pig iron is down about $5 per ton from the top, but the decline in steel is slight. One reason for this has been that order books on the latter have been well filled since the Spring boom, but they have been much depleted and prices will depend hereafter on new business. All of the metals are lower. Cotton has lost about 3 cents per pound in passing to the new crop basis, and the cotton goods trade has been very light. Raw silk is lower and silk goods have been quiet. The woolen industry has had a good business in Fall lines and in still busy on these orders. The American Woolen Company opened its lines of next Spring goods on July 23rd, with prices averaging about 11 per cent over those of the previous Spring season. The advances were expected, as resulting from the wool tariff and the wage advances granted in the mills.

Employment is well maintained throughout the industries, but wage increases have about ceased, except for announcements by the railroads from time to time. The roads are under pressure and anxious to deal with their men direct instead of through the railroad labor board. The hearings and arguments of a formal case seem to intensify antagonism and produce a state of feeling between employers and employes which it is desirable to avoid.

The low state of merchandise stocks generally indicates continued industrial activity, and except for the well known fact that farm products are low in comparison with other

commodities, and that the foreign situation is in some aspects more critical, the outlook for trade is very good. These exceptions are not new developments; we have been facing both now for about three years, and the revival of the past year has been despite their influence.

The Building Industry

Construction work more than anything else has given us the revival of the past year, and it is upon construction work mainly that we must depend for the maintenance of industrial activity and good times through the remainder of this year and beyond. We reviewed the building situation at some length last month, and expressed the opinion that operations would go on at about the capacity of the working forces at least during the rest of this year. We see no reason to modify that opinion. The big slump in building permits occurred in April and was mainly confined to New York City. Moreover, it is difficult to say more about its significance than that it was evidently useless for would-be builders to go on announcing new projects far beyond the capacity of the industry to handle. A competitive situation was being created which made it impossible to make any calculation of costs in advance.

The total of building permits reported by Bradstreets for 153 cities in June was $225,090,818, which compares with a total for May in the same cities of $245,714,752, and of June, 1922, in the same cities of $234,296,872. For the first six months of 1923, however, the permits granted represented proposed expenditures aggregating $1,610,181,124, an increase over the first six months of 1922 of 31.7 per cent. Much of this work is not yet even begun, and the June permits of course were applied for after the rise in building costs had occurred. There has been, however, in July a decided falling off in contracting and in orders for building material, likewise a decline of prices on materials.

Scarcity of Bricklayers

There is little change in the labor situation in the building industry. The Mason Builders' Association conceded the demands of the bricklayers who struck for $1.50 an hour and an agreement extending to May 1, 1925, but this did not bring back the bricklayers at that wage, for the reason that they all had work at higher pay with other employers. The $12 rate for an 8-hour day is simply a basic rate; to get any men it is necessary to pay a varying bonus above that. The Mayor exercised his influence in bringing the Mason Builders to accede to the $12 demand, in order to get new schoolhouses completed in time for the Fall term of school, but it has been difficult to man these jobs, notwithstanding a pledge by the union officials that men would be supplied. It is not questioned that the officials have endeavored in good faith to provide men, but the latter have preferred other work at higher pay.

The number of experienced bricklayers in the country is inadequate for present needs, in view of the deficit in buildings which is to be made up. According to the occupational census there were fewer bricklayers in 1920 than in 1910. The apprentice system does not afford an adequate number of new men, for which employers and unions are inclined to shift the blame to each other. The bricklayers' unions of New York City through their officials say that they have agreed to take on 160 apprentices, and when the employers point to the fact that this is a very small number, in view of the fact that three years are required under the rules to learn the trade, reply is made, and vouched for by the Apprentice Committee of the Building Trades Council, that the employers have failed to avail themselves of even this number. In answer to this the employers say that the apprentice system is hedged about by objectionable conditions which they hope to have modified, and that negotiations to this purpose are pending. Evidently the employers have regarded the apprentice system as not worth bothering with. However that may be, it is certain that in the case of the bricklayers and some of the other building trades the number of recruits is not sufficient to make good the depletion by death and retirement.

Explanations for Pessimism

The opinions of those who take a pessimistic view of the future are based upon conditions that will reach beyond this year, and which they think are likely to outlast the building activity supporting the present state of prosperity. They urge that industrial costs are too high for permanent prosperity, and will curtail construction operations. Without attempting to set the date when a general slackening of industry sufficient to cause wage-reductions will occur, they believe such reductions are necessary to a sound basis for prosperity, and prefer to pursue a conservative policy until such readjustments have been made. It is evident that the sober judgment of the country reacted unfavorably to the rise of wages and prices which occurred last Spring. It has been regarded as a movement in the wrong direction, and has inspired a general spirit of caution. A more even and moderate pace will give better promise of being sustained.

For the firm establishment of confidence and a stable basis for industry the country needs lower industrial costs and more normal relations between the industries, including agriculture. The best way to restore the equi-

librium between farm products and manufactured goods is by lowering the cost of the latter. Lower costs are essential to the maintenance of our position in world trade and to the regularity of employment. Lower transportation costs and cheaper fuel to the industries would be of general benefit, and some reduction in wages to accomplish such results would be more than compensated by lower living costs and increased stability in industry.

As against this prevalent belief among business men the demands of the anthracite miners and of railroad employes for more pay, rumors of further demands in the textile industries, and evidence of growing radicalism in the agricultural districts are disquieting. It requires courage for the business man to be an optimist amidst all this agitation at cross-purposes, with himself apparently the center of attack.

Prosperity in Our Own Hands

The prosperity of the American people is in their own hands. It is not dependent upon what other people owe us or may do to us, and only in minor degree upon what other people may buy of us. In the last year it has been demonstrated that with some moderate readjustments this country can be quite fully employed regardless of foreign conditions, and with a good degree of prosperity all around. All that is required is confidence and cooperation, but these are indispensable. For that matter, Europe lacks nothing but these, and there can be no prosperity anywhere without them. We are somewhat critical of the peoples of Europe for not promptly settling their lisagreements, suppressing their miserable suspicions and hatreds, and getting down to teamwork, but we have little to brag of in these respects over Europe, if we judge by the political and industrial news that fills the newspapers.

It is possible, however, to exaggerate the real peril in all this agitation. We are never free from agitation, and over and over again it has been found to be not so menacing as it sounds. While more or less people are always unhappy about something, it usually develops when they get together that their dissatisfaction is not for the same reasons, and any attempt to formulate their grievances or plan a program shows that they have scarcely more in common with each other than with other people. The Committee of Forty-eight breaks up into about forty-eight factions whenever it attempts to function, and the Farmer-Labor party at its Chicago meeting last month developed this inherent weakness. The several and various sections had to tell each other plainly that their views were impracticable and doomed to defeat or failure.

Time and again new champions of communities regarding themselves oppressed have arrived in Washington commissioned to reorganize the government and its policies, but, the result always has been that they either readjusted their own views in the light of more intimate knowledge of the matters at issue or soon lost all influence both in Washington and at home. Nine-tenths or more of these controversies result from misunderstanding and disappear when the parties come face to face. Labor troubles probably will work out about as in the past. When construction work falls off no doubt the wage situation in that industry will be more easily dealt with than it can be now.

Throughout all these difficulties, however, 110,000,000 people in this country, not to speak of those who have become accustomed to look to this country for supplies, will be in want of goods and services. Statistics show that even under the most depressed conditions the demand does not fall off on the average more than 25 per cent, and there is no reason to apprehend that we shall experience anything like that again for years to come. The most pessimistic cannot show much similiarity between present conditions and those of 1920. People who are looking for absolutely clear sailing are not likely to have it, but a lot of business is going to be done right along. Prudence and caution are the watchwords for the time, but, after all, if people manage to do business in Germany under existing conditions, it should be possible to go ahead fairly well in the United States!

Agricultural Conditions

The crops have been doing well, and up to date the promise is for an average yield. Corn, Spring wheat and cotton are just now at the critical stage when weather conditions have much to do with the outcome. The value of domestic exports of principal food products from the United States declined by $114,291,402 during the twelve months ended June 30, 1923, as compared with the previous twelve-month period. The sharpest decline came in exports of grains and preparations of grains. A summary of the two twelve-month periods follow:

	1922	1923
Meats	$131,952,836	$143,291,899
Dairy products	36,375,097	23,326,903
Animal oils and fats	124,567,317	144,220,168
Grains and preparations of grain	591,299,059	451,341,734
Canned vegetables	3,720,035	4,736,160
Canned fruits	16,373,219	22,479,307
Total	$904,287,563	$789,396,171

Exports of wheat in the twelve months ended with June, which correspond with the crop years were 154,000,000 bushels, against 208,000,000 in the corresponding period preceding.

The situation of the farming population has been the subject of much comment, mainly because of the drop in wheat last month to about 96 cents per bushel, in Chicago, and the supposed effect upon an election in Minnesota and political prospects for next year. Ninety-six cents at Chicago is the lowest price for wheat since 1913, but the market was below that in every month of 1913. July wheat sold down to $1.05 last year, and the September delivery sold below $1.00 in both August and September last year.

The Department of Agriculture, Washington, D. C., on July 9 issued a statement showing the acreage of principal crops this year, average yields of same crops in five years 1917-21, yields in 1922, yields forecasted for 1923, upon basis of conditions July 1, and farm prices July 1, 1922 and 1923:

Cattle feeders who have closed up operations in the last six months have generally made a satisfactory profit. The same has been true of feeders of sheep and lambs. Dairy products during the storage season have brought better prices than last year. Wool is bringing satisfactory prices, and the cotton crop from the present outlook will bring returns surpassed in but few years.

This survey does not show the farmer's situation as a desperate one. As a matter of fact, the calculation of the Department of Agriculture based upon the July 1st outlook indicates aggregate crop values this year of $1,000,000,000 in excess of last year, and the aggregate last year was nearly $2,000,000,000 in excess of the year before. In reality the outlook for diversified farming is more encouraging than at any time since European markets were demoralized. The heavy stocks of corn carried over from the large crop of 1920 and 1921 have been cleared away. Experience has shown that only under exceptionally favorable conditions does this country raise over 3,000,000,000 bushels of corn in a season. It has been done in only four years of our history, three of which were 1917, 1920 and 1921. Any crop under 3,000,000,000 bushels will be readily absorbed. The pig crop must be adjusted to the corn crop, unless other fattening feed equally economical is developed to supplement corn.

PRINCIPAL CROPS, ACREAGE, YIELD, PRICES

Crop	Per cent Acreage 1923 of 1922	Acres	Total Production in Millions of Bushels: 1917-21 Average	1922 December Estimate	1923 July Forecast	Farm Price Per Bushel July 1: 1922 Cents	1923 Cents
Winter wheat	94.4	39,750,000	590	586	586	....	....
Spring wheat	94.9	18,503,000	245	276	235	....	....
All wheat	94.5	58,253,000	835	862	821	102.6	95.1
Corn	100.7	103,112,000	2,931	2,891	2,877	62.2	86.5
Oats	101.1	40,768,000	1,378	1,201	1,284	37.3	42.5
Barley	108.0	7,980,000	192	186	198	52.2	55.7
Rye	84.3	5,234,000	70.3	95.5	68.7	77.6	58.2
White potatoes	89.9	3,892,000	388	451	382	103.3	83.1
Sweet potatoes	90.2	1,007.000	94.3	110	93.7	119.0	114.0
Tobacco	102.1	1,762,000	1,361	1,325	1,425	....	....
Flaxseed	182.7	2,285,000	9.7	11.7	18.0	223.0	241.7
Rice	83.7	883,000	41.0	42.0	33.1	....	....
Hay, all	98.7	76,031,000	99.5	113	99.0	$11.91	$11.69
Cotton	112.6	38,287,000	11.2	9.8	11.4	20.4	26.2
Apples, total crop	....	....	160	201	189	199.3	182.1
Peaches, total crop	....	....	25.7	31.0	33.1	....	....
			42.7	56.7	48.4	172.0	178.6

It will be seen that as of July 1, wheat, rye and potatoes were below last year's values, while corn, oats, barley, flax seed and cotton were above. The price of potatoes relates to last year's phenomenal crop, and probably will not be true of this year's. These figures do not indicate that the farmer's position is worse than a year ago. It is true that hogs, which consume a large part of the corn crop, are lower than a year ago. The range of hog prices in Chicago in July last year was $7.40 to $11.15; this year $6.50 to $8.00; but it should be considered in this connection that the number of hogs marketed since the beginning of the present Spring and Summer seasons has been one-third greater than last year and 60 per cent above the pre-war supply. The farmers probably are realizing as much money from the hog crop this year as they did last year. It represents a higher value in corn, but to the farmer who has raised both corn and hogs the results in the two years may be about the same.

The Wheat Situation

There has been a greater increase in our production of wheat in recent years than in any other farm product. The acreage in our most important crops since 1909 is shown by the following table:

AREA OF PRINCIPAL CROPS

Commodity	Avge. 1909-13 1,000 Acres	Avge. 1914-18 1,000 Acres	1919 1,000 Acres	1920 1,000 Acres	1921 1,000 Acres	1922 1,000 Acres
Wheat	47,097	54,119	75,694	61,143	63,696	61,230
Oats	37,357	41,773	40,359	42,491	45,495	40,693
Rye	2,236	3,918	6,307	4,409	4,528	6,210
Barley	7,620	8,229	6,720	7,600	7,414	7,390
Corn	104,229	107,225	97,170	101,699	103,740	102,428
Total five cereals..	198,539	215,264	226,250	217,342	224,873	217,951
Tobacco ..	1,223	1,434	1,951	1,960	1,427	1,725
Cotton......	34,152	34,616	33,566	35,878	30,509	33,742

Although rye is not one of the leading crops its increased production has been of special importance because it has been freely taken by the foreign markets that also take our wheat, to some extent serving the same demand.

The increase in wheat and rye acreage was stimulated of course by the disappearance of Russia as a competitor in Western Europe and the high prices resulting from this fact, and from the general influence of the war. The same inducement has caused an increase of wheat acreage and production in other countries, notably Canada, which alone has increased its production enough to more than cover the pre-war exports of Russia. The average annual combined exports of wheat from Russia, Rumania, Bulgaria and Servia for the three years 1911-13 were 184,790,000 bushels; the average production of wheat in Canada for the five years 1909-13 was 197,-113,000, while last year the Canadian production was 400,000,000 bushels. This year the crop conditions in Canada are unusually fine, and although the acreage is slightly less than in 1922 it is common talk that unless something goes wrong with the crop between now and harvest the yield may be 500,000,000 bushels, or an average of 25 bushels per acre, This is one factor in the price of wheat, for the customs tariff, while effective in keeping Canadian wheat out of our markets, does not prevent the Canadian yield from affecting our markets.

In connection with the Canadian competition the fact may well be recognized that that country has the available land with which to make much larger additions to its wheat acreage, and is offering every possible encouragement to settlers. With cheap lands and low taxes on them Canada is a hard competitor in wheat-growing.

We give below the average annual production of wheat in Canada for each five-year period beginning with the year 1900 and the actual figures for the last three years:

Period	Bushels
1900-04, average	80,591,000
1905-09, average	121,746,000
1910-14, average	196,025,000
1915-19, average	254,482,000
1920	263,189,000
1921	300,858,000
1922	400,000,000
1923 (July 15 estimate)	500,000,000

This increase in the Canadian crop has been the result of railroad building in the northwest, and the Canadian government, having been obliged to take over the new roads, is directly interested in the settlement of the adjacent lands. Wheat is the crop particularly adapted to these lands; in fact always has been a favorite crop for new countries. The average yield upon these new lands is much above the average in the United States where the lands have been long in tillage.

Russian Exports

Another unfavorable factor at the present time is the probability of exports from Russia. It is said that something like 200,000 tons of rye and barley have been exported from Russia from the 1922 crop, and the German government has now confirmed a report that the Soviet government has entered into an agreement with it to deliver 400,000 tons of grain before November 1st. A metric ton is approximately 37 bushels, and 400,000 tons would be about 15,000,000 bushels, not in itself a very large figure in export business, but enough to cause some disturbance when accompanied by a statement of the Soviet government that it will have 2,500,000 to 3,000,000 tons available for export from this year's crop.

Needs of Western Europe

Although more grain will be produced in Europe than last year, Mr. Dennis, agent of the U. S. Department of Agriculture at Berlin, does not think the dependence of Western Europe upon North America will be much less than last year. He says:

> It is not unlikely that the food export capacity of Russia may attain to 1,000,000 metric tons, but it is worth noting that the Russian food exports will be limited for the most part to coarse materials such as barley and oil cake for cattle feeding. It will be a long time before Russia will be able to influence seriously the world markets through the export of wheat and rye for human consumption. The Soviet Government may put as much as 15,000,000 to 18,-000,000 bushels of wheat on the European market the coming season, but it will be largely at the sacrifice of home consumers.
>
> The world statistical position of wheat is weak. There is a heavy carry-over of old wheat and the European crop will probably exceed last year's crop by as much as 100,000,000 bushels. This does not necessarily mean, however, that Europe will have 100,000,000 bushels less from overseas. The per capita bread consumption in all European countries, outside of Spain, Italy, Austria and Bulgaria, is still considerably below normal, with important elements of the populations of Central Europe clearly underfed.
>
> There are enough underprovisioned people in Europe to absorb the world's wheat surplus. The problem reduces itself to the question of finance. European wheat imports during the current cereal year ending August 1 may be estimated at slightly over 600,000,000 bushels. Imports for the coming year may decline by 50,000,000 to 75,000,000 bushels. But one cannot see much improvement in Germany's food resources as a result of the coming harvest. The yield of the wheat crop is somewhat larger than last year but a decline in indicated in potatoes, sugar and fruits.

The countries of Western Europe before the war were accustomed to import about 600,000,000 bushels of wheat per year, which according to Mr. Dennis is about the quantity they have imported in the crop year just ended. The production of the principal exporting countries now supplying this demand, averaged for five years, 1909-13 and actual for 1922, has been as follows:

	Avge. 1909-13	1922
Algeria	33,071,000	18,233,000
Argentina	157,347,000	215,320,000
Australia	84,943,000	105,000,000
Canada	197,119,000	400,000,000
India	349,919,000	366,352,000
United States	690,109,000	856,211,000
	1,512,507,000	1,961,116,000
Increase	....	448,609.000

A comparison of these figures with those for the pre-war exports of Russia and Southeastern Europe will show that the loss of the latter has been much more than made good by the increase of available supplies.

The Speculative Situation

Each year since 1920 the outlook for wheat at harvest time has been a highly speculative one, complicated by uncertainties as to the needs and purchasing abilities of the importing countries, not to speak of the usual uncertainties about available supplies in the exporting countries. In 1920 dealers lost heavily in handling the wheat crop, and on the whole there has been no money made in carrying wheat from one harvest to another since then. This is one reason why speculative interest has been small this year. Another explanation, as we have heretofore indicated, has been the antagonism to future trading manifested by the Congress, under the influence of the farmers' bloc. The Capper-Tincher act and the regulations formulated under it, providing for official supervision of speculative operations, has the effect of diminishing speculation, and speculation is necessary to sustain the market when wheat is moving heavily. It is clearly an act of speculation to buy wheat in July to be carried until the following Spring months, at the hazard of all the influences that may affect the market in the meantime. There are risks enough in the undertaking without the risk of disturbing action by supervising officials. The presumption is that the supervision is for the purpose of regulation, and any act of regulation, no matter at whom directed would certainly affect the market.

Too Much Calamity Talk

There is some basis for the belief that there has been too much calamity talk about the present wheat situation. The producers are quick to complain if the Department of Agriculture or the trade give out any bearish estimates or comments upon the crop, but the producers' conferences and political activities that have made wheat the center of interest in recent weeks have been a depressing influence upon the markets. The Conference at Chicago was temperate in the resolutions adopted, but the speakers represented that the United States had a carry-over of 170,000,000 bushels. Since then the Department of Agriculture has given out a calculation making the total carry-over, including wheat in farmers' hands, on July 1st, about 101,000,000 bushels, as compared with 81,000,000 at the corresponding date last year. The loose exaggerations that have been current have been calculated to deter purchasers from buying freely, and export sales have been comparatively light. The domestic flour market also is flat, with buyers holding off to get the lowest possible prices.

Advice to Growers

The Wheat Council created by the Conference at Chicago, has organized with the Hon. Sydney Anderson, of Minnesota as President, and has issued a statement which says, in part:

> Under the stimulation of the World War the wheat acreage of the United States was enormously extended. For the past three years wheat acreage in this country has exceeded the average, 1909-13, by more than 13,000,000 acres. This is equivalent to an excess production of from 160,000,000 to 200,000,000 bushels annually. The exportation of wheat before the war averaged 15 per cent of the crop. For the past three years it has been in excess of 25 per cent of the crop.
>
> Since the World War there has been a gradual recovery of the wheat producing countries of the world. These countries, in the main, by reason of cheaper lands and labor, produce at less cost than we do. The greater competition of those countries in the world wheat market defines the price of the whole domestic crop so long as we continue to produce a surplus of considerable proportions.
>
> The directors of the wheat council are fully convinced that a reduction in the wheat acreage and wheat production in this country is absolutely essential to a profitable price for wheat to the American wheat grower.

Another conference with delegates from five states in the Southwest, was held at Wichita on July 16. It adopted about the same line of policy as the Chicago Conference. At a meeting of economists convened upon invitation of the Secretary of Agriculture in Washington on July 12 it was agreed that it would be good policy to reduce the wheat acreage in the United States to conform more nearly to pre-war conditions.

Political Remedies

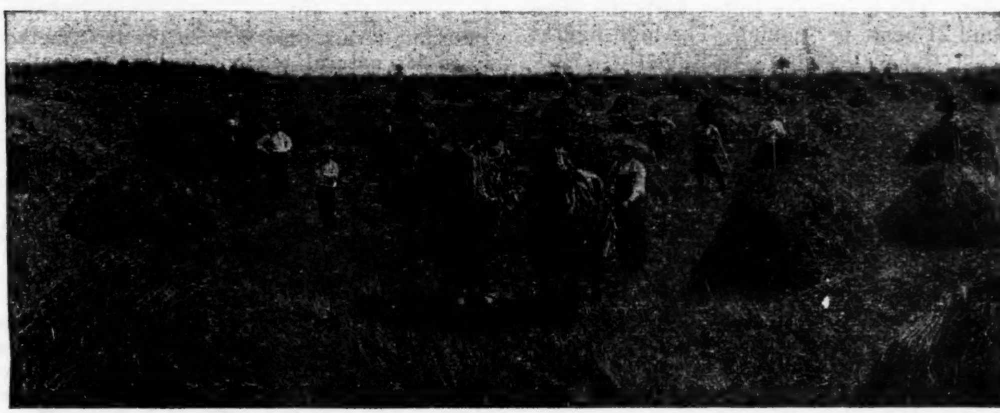
When the wheat situation is calmly surveyed it is seen to offer slender basis for a political campaign. It is not a situation that can be improved by political resolutions or by legislation. The farmers are quite able to understand the necessity for adjusting their crops to suit the consumptive demand, and to appreciate the folly of depending upon any other demand. Prices constitute

the natural and only effective influence for regulating production and directing industry into the activities where it is most needed. If the government should undertake to pay $1.75 per bushel for wheat, as proposed in the bill introduced in the last Congress, the wheat-acreage instead of being reduced would be increased, exports of wheat from this country would soon cease and the government would have to pile up wheat in its warehouses until everybody saw the folly of the policy.

Withholding Wheat from Market

The proposal of the American Farm Bureau Federation to withhold 200,000,000 bushels of wheat from market by means of loans negotiated through the new Intermediate banks or other banks, has two merits as compared with the proposal for government purchase, i. e., it does not contemplate direct aid from the public treasury and it includes a plan for curtailing production. Any plan for regulating prices must of necessity include a plan for regulating production, for the natural law of supply and demand rules over all other laws in the domain of prices. If it is possible to control supply it is possible to work in harmony with the law of supply and demand. The Farm Bureau Federation has a large membership, and since the farmers who are to supply the wheat pledged for the loans will retain ownership and receive advances only partially covering its value, they all will be interested in curtailing wheat production next year. The co-operation of these farmers therefore seems to be assured. The question remains, whether their co-operation is sufficient to make the plan a success. The object is to raise the price, and the higher the price is raised the greater will be the temptation for all other farmers, not alone in this country but in all wheat-growing countries, to sow more wheat. As appears above, other countries have had a large part in creating the wheat surplus, Canada particularly, and Canada may easily increase her acreage in wheat. Furthermore, prices of other agricultural products are low, and if the price of wheat is advanced there may be temptation to farmers everywhere to reduce the acreage in other crops in order to grow wheat. If the price of wheat is relatively low, it is reasonably certain that the acreage in wheat will be reduced, but if the price is made relatively high the acreage very likely will not be reduced, and in that case the farmers who borrow money to hold their wheat may be disappointed. The outcome evidently will depend to some extent upon how high the price is raised.

Of course, if the wheat production of this country was reduced to the point where importations would be required, the protective tariff of 30 cents per bushel would become effective on the price, but it probably would become effective also on the voters of the non-wheat-producing states, with the result that it would come off after the next election. Our tariff policies have not been free from inconsistencies in the past, but we have never yet gone so far as to combine a protective duty with an artificial restriction of home production. The argument for a protective tariff is that it promotes the general welfare by developing home industry and increasing production.



The Cotton Crop

The government's July report on the cotton crop was about as expected as to condition, but surprised the trade in making the acreage larger than any of the private reporters had calculated, i e., showing an increase of over 12 per cent. On this basis the prospective crop was made 11,400,000 bales. The crop has more than held its own in July, with marked improvement in the eastern states of the belt, but at this writing Texas and Oklahoma are in want of rain. Although the boll

weevil is everywhere reported, not as much is said of damage as might be expected. The weevil and the weather make the outlook uncertain, with the crop anywhere from 11,000,000 to 12,000,000 bales.

Four months ago great interest was manifested in the July situation in the cotton market. At the rate of consumption the entire available supply of raw cotton would be exhausted, and as the demand for goods was strong, a squeeze in cotton was predicted. Like all other crises which everybody is watching for, this one did not materialize. The high price of old cotton as compared with the prices for new crop deliveries had the effect of making dealers timid about loading up with goods, and as the demand for goods fell off the mills slowed down operations. Moreover, and as usual, more cotton seemed to come into sight than had been allowed for, with the result that, instead of a squeeze, the premium on old-crop cotton quietly disappeared. The crop year ended with the price around 21 cents per pound. The high figures on the crop in the New York market were 31.59 cents for the May delivery made on March 14 last. Favorable weather conditions, and falling off in the demand for high-priced goods all over the world were responsible for the decline. Cotton exports have been very light in recent months, and for the last year have fallen about 1,500,000 bales below the preceding year. The July 1st letter of the London Joint City and Midland Bank, in its review of the cotton goods industry of Manchester, said that production had been curtailed 50 per cent since March and that it was suggested that all the factories should close completely during July.

Cotton Trade Depression

The London Times of July 16, describes the situation more fully, as follows:

> The present lull in trade is felt nowhere more acutely than in Lancashire, where the situation in the cotton industry is becoming daily more serious owing to the failure of the demand from the principal consuming outlets to show any real revival. The chief obstacle to business is the fact that costs of production are at a level above the buying capacity of Lancashire's main customers—India and China. Lancashire is faced with dear American cotton, high labor and other costs, while the buying power of the populations of the two countries mentioned, as well as the Near East, is impaired by political and economic troubles. The whole situation is aggravated by the uncertainty of the European outlook. The curtailment of output by 50 per cent in the Lancashire mills using American cotton, which, as recently decided, will continue until the end of August, is regarded in some sections of the trade as insufficient to meet the existing depression, and it is held that more drastic regulation, both of output and prices, is needed if disaster is to be avoided. Some of the mills are already feeling the financial strain of carrying on under present conditions of trade.

All of which once more emphasizes the importance of taking the humble and absent consumer into account in gaily rushing up prices. Over and over again the lesson must be taught that prices cannot be artificially fixed; they must be adjusted to clear the market of goods.

The Movement to the Cities

It is evidently true that the farmers can ill afford to compete for labor on the basis of prevailing rates in other industries, and we know of no answer to the complaint other than that labor should go to the industries that will take it and pay the best rates. That is the natural way by which the balance between the industries is maintained, and there is no other effective way. If farm production needs to be curtailed, it is better that some of the farm workers should enter other industries than that they should be idle on the land. The idea that something should be done to stop the movement to the cities certainly is illogical at a time when employment is to be had there at high wages and the prices of farm products will not justify employment on the same terms. Here again the best method is to let natural tendencies have free play: let those go to the cities who can shift with least inconvenience or sacrifice. There is no basis for forebodings of social decay in the fact that fewer people on the farms are able with modern implements to provide food for more people in the other industries. That in itself is a sign of social advancement. If by improvements in machinery, woolen or cotton cloth could be made with one-half the labor now required it would be a blessing to mankind. There was a time when man's labors were almost exclusively devoted to providing the common necessaries of life, and it is no cause for regret that the tendency has been and is yet away from this situation. There is no danger that the cities will learn to do without the farms, or that there will not always be labor enough on the farms when the prices of farm products are high enough to yield compensation fairly comparable to that obtainable in other lines of work.

It is true that there are some artificial conditions in the present situation. One of them is the restriction of immigration which cuts off the supply of labor for the industries. Reports to the Georgia Bankers Association from 92 out of 154 counties of that state show that 41,383 negroes have left those counties this year and that 15,760 white people have left the farms. Upon that basis the calculation is made that 77,500 negroes have left the State and that 29,513 white people have left the farms. It is further shown that including the year 1920 and to the date of this inquiry, 228,938 negroes have left the State of Georgia. Several other Southern states have had a similar exodus. This movement is in response to the call for

labor in northern industries and shows how cutting off the supply in one quarter stimulates a supply from another quarter. The wage advances in the steel and other industries which took place about a year ago and last Spring have been factors in the movement.

Economic forces are far-reaching in their influence, and no matter how they may be hampered by curbs and regulations they work unceasingly to distribute the effects throughout the entire industrial organization, with the result that they frequently show up where nobody is looking for them. Another influence in this movement from farm to city is the arbitrary policy of wage-fixing in the town industries. The increase of population in the cities and decrease in the country will not only increase the cost of living in the cities but increase the competition for city jobs, and the uncertainty of employment, until country life again looks attractive in comparison.

Dairy Farming

While new political leaders are filling newspaper columns with their plans for giving relief to the wheat-growers from the effects of low prices for that cereal, at the expense of the United States Treasury, the business men of the regions where wheat is the principal crop are actively cooperating for the promotion of a much more effective remedy, by the encouragement of diversified farming.

For two years the National Dairy Show has been held on the Minnesota State Fair grounds in the Twin Cities, and the exhibit has been of much benefit to the dairy industry of the Northwest. This year the Show will be held on the New York State Fair grounds at Syracuse from October 5 to 13, but the Twin Cities have organized the Northwest Dairy Exposition to be held on the Minnesota grounds, September 1 to 8. All the business interests of the Twin Cities are heartily participating.

It is an opportune time for the movement, for the dairy interests of the country are not depressed. The dairy farmers of Minnesota are in fairly prosperous condition even now. A banker in Hutchinson, Minnesota writes to say that cattle, hogs, grain and minor farm products are bringing prices which are barely equal to or less than the cost of production, but that "the dairy cow comes to the rescue, producing butter-fat that is selling today at a profit and enabling the dairy farmer to tide himself over the present unprofitable period to a bettter day we hope, when his other products will also bring him a reasonable profit." He tells this interesting story of intensive farming, the average of the farms mentioned being less than 40 acres:

It will interest you, I am sure, to learn of a very highly cultivated area just north of Hutchinson. Section 30 of Hutchinson Township in McLeod County is of the ordinary good quality soil, containing the usual 640 acres of land. On this land there are 19 dairy farmers industriously cultivating small farms to raise forage and feed crops for dairy herds. In 1922 the dairy herds on this section produced 35,000 pounds of butter-fat and every farmer made money.

The prosperity of the dairy farmer is reflected in the deposits of this bank, which increased nearly one quarter of a million dollars in the first six months of 1923. We anticipate a good harvest of feed and forage crops and a satisfactory fall.

The production of butter and cheese is not overdone. The storage period for these products for this year is now nearly over, and the New York Produce Review reports that on July 16th there was a shortage of butter in the public warehouses of Boston, New York, Philadelphia and Chicago of about 3,500,000 pounds, and in the street stocks of those cities of about 3,000,000, as compared with the same dates of last year.

The increase of freight charges since the war has been light upon dairy products as compared with more bulky farm products, and arrangements have been recently announced for better transportation facilities by way of the Great Lakes. A new line of motor-driven boats, specially designed for the Lakes and the Erie Canal, will shortly begin operations between Duluth and New York City. They will be equipped with refrigerator holds, especially planned for dairy products, promise to cover the full distance in nine days, and are expected to demonstrate to the farmers of the Northwest the value of the free waterway upon which New York State has expended the sum of $170,000,000.

The Wisconsin breeders of dairy cattle, alive to the opportunity which existing conditions in the grain-producing regions afford for propaganda in behalf of the dairy industry, have recently sent a "dairy special" through several states of the Northwest. The train carried fine specimens of each of the five breeds of dairy cattle, experts representing each breed association, with dairy and animal husbandry experts from the Department of Agriculture, Washington, D. C. Among the latter was Professor McDowell, who upon his return said that the question he was asked most frequently was "Is the industry being overdone; is there danger of over-production?"

He states that in answer he pointed out the comparative low production per cow of the American dairy industry, and contrasted that with the growing appreciation of the value of dairy products in the diet and the increasing consumption of these products. "Should there be slight, or temporary over-production," he said, "it will not fall on those who have high producing cattle, or who are doing dairying in the regions of cheap feed supplies for the dairy herds."

This statement affords an answer to all the proposals for having the government fix the prices of products or regulate production. To what cost-level would the government adjust prices, and how would it select the producers whose operations should be restricted? What incentive to progress would there be if the government guaranteed everybody a "fair price" for his product, whatever it might be?

Profit Margins

In the May Letter we gave a review of the report of the Joint Commission of Agricultural Inquiry upon the spread between producers' and consumers' prices. Reference was made in that discussion to the studies of the Harvard Bureau of Business Research. This Bureau has just given out the results of an inquiry into costs of the wholesale grocery business for the year 1922 which is the most complete compilation upon the subject ever made.

The report is based upon returns from 442 firms, whose sales aggregated $556,021,000. The gross margin of profit upon this volume of business was 11.6 per cent and the total expense of conducting the business was 11.1 per cent, leaving a net profit of one-half of one per cent. The stock turnover was 5.7 times. The showing is better than for 1921, when the reports from 277 firms showed a net loss on the year's sales of 2 per cent.

The Harvard Bureau has made public also the results of an inquiry into the profits of the retail grocery business in 1922. The inquiry included 443 firms in different parts of the country; their aggregate gross profits were 19.3 per cent of net sales, expenses 18 per cent, net average profit 1.3 per cent of sales. Stock turnover, 10.1 times.

The Northwestern Miller, reviewing the flour-milling industry for the crop year which closed June 30, made the following comment:

> The crop year of 1922-23, now practically at an end, has provided a wide variety of experiences for the milling industry. Many mills have found it a period of continued discouragement and difficulty, whereas others have done exceedingly well. The dullness of recent weeks, with declining wheat prices as an obstacle to active flour buying, has been so general throughout the trade that the opening months of the crop year seem to be largely forgotten, but their record stands as that of a period which, if it did not bring profits to all alike, gave many millers the chance to ride safely through the rest of the year.
>
> To the majority of millers, however, the business of the year 1922-23 has unquestionably not proved as satisfactory as they had hoped. Most of them have ground and sold plenty of flour, the total volume of their trade materially exceeding that of the previous two or three years. There have been no pronounced fluctuations in the wheat market to cause unexpected losses; on the whole, the year has been singularly free from trouble with irresponsible flour buyers. Furthermore, the market for millfeed has been consistently strong, with an unusually steady demand and prices relatively high. And yet, despite all these facts, a general referendum vote among the millers as to the quality of the year's business would certainly show very little enthusiasm.
>
> The one great source of trouble has been the low level of flour prices. From the very beginning of the crop year, intense competition for whatever business was available has held flour prices down to a point where the miller has counted himself lucky if he could see a margin sufficient to cover actual costs. When a dozen salesmen gather about a single prospective customer and, having exhausted all their arguments about the quality of their flour and the service offered by their respective milling companies, begin to whisper suggestions of price concessions, it is obvious that the mill which gets the order is most unlikely to make any profit out of it.

Mr. John R. Mauff, vice-president of the Chicago Board of Trade, addressing the American Feed Manufacturers' Association a few days ago said:

> When the housewife pays $1 for bread, the grain dealer and flour miller together receive only 3.4c. Ninety-six and six tenths cents is shared by the wheat grower, the railroads, the baker and the bread retailer. These figures are the conclusions, not only of the grain statisticians, but also of the Joint Commission of Agricultural Inquiry, which so reported to Congress.

This 3.4 cents is not profit, but the total average share of the miller and grain dealer in the dollar paid for bread by consumers.

Now comes, however, a committee of the Farmers' Union of Oklahoma, headed by C. H. Hyde, of Alva, formerly a director of the United States Grain Growers, Inc., appointed to analyze the entire process of converting wheat into bread. "One of the objects of the investigation," says Mr. Hyde, "is to determine what are the profits of each concern handling the wheat and its products, and we want to compare those profits with the profit that the grower receives." Similar inquiries have been made a great many times; indeed, every act in the process is under study all of the time, but that of course is no reason why Mr. Hyde and his committee should not have a turn at it. Nevertheless, it is allowable to hope that when they get through more attention will be given to their findings than have been given to like reports heretofore.

The Twelve Hour Day

The American Iron and Steel Institute has set about the task, which is no easy one, of completely abolishing the twelve hour day in that industry. The twelve hour turn was the result of the continuous operation of furnaces, and although it has been done away with in many departments has persisted in some because of the difficulty presented by the problem of wage-adjustments to an eight-hour turn. The change might have been made long ago if the workmen had been willing to take the same hourly pay for eight hours that they were receiving for ten hours or if the employers had been willing to give the same pay for eight hours as they were giving for twelve. Changes from ten hours to nine or nine to eight, or even from ten to eight have been comparatively easy to make. Besides the difficulty in reaching a satisfactory adjustment with the workmen now on the twelve hour turn, the re-

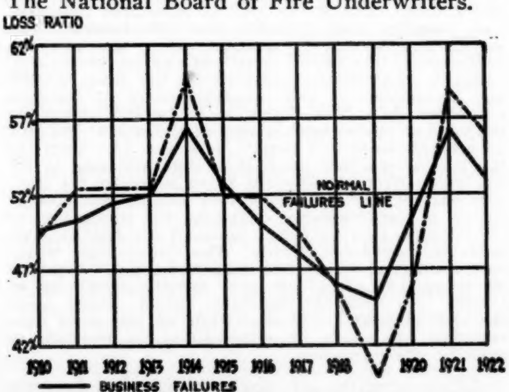
lations between the pay of these men and the pay of men heretofore working eight or ten hours must have attention. The twelve hour men have been getting more pay than the men on shorter turns, and if they are reduced to eight hours with more pay than other men working eight hours there will be dissatisfaction. Readjustments can be readily accomplished in only one way, and that is by wage-increases and these involve higher costs for iron and steel in farm implements, fence wire, railroad equipment, tools and machinery of all kinds.

It is conceded that the twelve-hour day should be abolished, on the ground that it keeps men on duty and away from their homes too long at a stretch, but it is not true that the work is exceptionally exhausting, as the actual labor is intermittent and does not aggregate eight hours per day. That the men on the twelve-hour jobs are not eager for other work is evident from the fact that in times of labor shortage, as in 1920 and last Spring when plenty of other work has been available they have not sought it. The same question has come up in the coal industry and the anthracite operators have agreed to do away with the twelve-hour day for men tending pumps.

An Iowa newspaper, the Elkader Register, referring to the announcement for the iron and steel industry drily remarks that "this will about finish the eight-hour day except on farms and for housewives and employers."

Fire Losses and Bad Times

It has been a well known fact that the losses of fire insurance companies increase notably in bad times and diminish in good times, and this fact has been strikingly set forth by a chart prepared by the Glens Falls Insurance Company. The chart, which is reproduced herewith by permission of that Company, is based upon statistics for business failures prepared by the Federal Reserve Board of New York and statistics for fire losses prepared by The National Board of Fire Underwriters.



COURTESY GLENS FALLS INSURANCE CO.

This showing is startling, for it reveals the shameful fact that incendiarism is an enormous factor in the fire losses of this country. It presents a disgraceful record of fraud and waste in American business life.

The Glens Falls Insurance Company is justified in saying that if the correspondence of the curves had happened during two or three years only it might be considered a coincidence but when it continues over so many years there is no escaping the conclusion that "honest policy-holders are supporting criminals with every premium they pay."

Government in Industry

The idea that there is something to be gained by having governments undertake various industrial services, thereby eliminating private profits, is one of the most persistent fallacies. It is a theoretical conception, based upon the assumption that government officials can and will manage industry as carefully and efficiently as private owners. The instances in which such results are obtained are rare, for even where the management is personally capable, the conditions attaching to public operations usually are such as to make efficient management impossible.

Of course the outstanding illustration of the incompetency of government management of industry just now is afforded by Russia, but in all the European countries which have been experimenting with government operations the results are very much alike. In Germany, where all the public services are overloaded with employes, there has been a great revulsion of sentiment. Even in the case of municipal undertakings, the trend of public opinion is pronounced. The following paragraph is from a recent issue of the Chief Socialist organ, the Berlin Vorwarts:

> In all German towns opinion is slowly going over to the surrender by the towns of the actual running of the undertakings to companies. The object in view is the greatest possible de-bureaucratizing of the undertakings. Business men will be put in control. Such a change, which existing economic circumstances make absolutely necessary, signifies for the public, of course, the tendency towards the greatest possible cheapness and the fullest use of economic possibilities.

The city council of Berlin recently has passed by a large majority a bill for the transference of the canal docks and warehouses to a company. In the Berliner Tageblatt Dr. Michaels, spokesman of the Democratic members of the council, comments upon this act in the following language:

> One can say at once that such an act by a corporation in which the Socialists, though not predominant, form an almost decisive minority would not long since have been considered impossible and even unthinkable. And no attempts to reconcile the changed attitude of the Socialists with the fundamental principals of municipalization and nationalization can alter the fact that in the sphere of municipal activity a momentous reversal has been completed.

In Italy, the government headed by Mussolini, himself the editor of a Socialist paper before the war, has transferred the public telephone system to a private company for operation, on the ground that the management will be more economical and efficient in private hands.

Premier Mussolini summed up his conclusions upon this subject in an address made at the opening of the recent meeting of the International Chamber of Commerce at Rome. He said, in part:

It is my conviction that a Government which wants clearly to uplift its own people from the after-war crisis must give free play to private enterprise, and forego any measure of State control or State paternalism, which may perhaps satisfy the demagogy of the Left, but, as shown by experience, will, in the long run, turn out to be absolutely fatal both to the interest and the economic development of the country. The time has come when we must take off the shoulders of the producing forces of the nations the last remainders of what was called "war harness" and examine the various economic problems with feelings undisturbed by those passions with which it was necessary to consider them during the war. I do not believe that that complex of forces which in industry, agriculture, commerce, banking and transport, may be called by the glorious name of "capitalism," is about to end, as for a length of time it was thought it would by several thinkers of the social extremism. One of the greatest historical experiences which has unfolded itself under our own eyes has clearly demonstrated that all systems of associated economy which avoid free initiative and individual impulse fail more or less piteously in a short lapse of time.

It is reported that plans are being matured for placing the government-owned railroads of Italy under private management, to save the treasury from the heavy deficit which seems to be unavoidable under government operation.

In Rumania, owing to complaints about the high cost of food, a government edict was issued last February, prohibiting the export of cattle, but it has been recently modified to an export tax of 10,000 leu (about $55) per head. Upon this subject, and the experience of that country in price-fixing, M. Garafild, a former Minister of Agriculture of that country, has been quoted as saying:

Export prohibition and the fixing of prices below real values brought about a decided falling off in production, especially in wheat and fats, with the inevitable consequence, enforced by the law of supply and demand, of an exorbitant rise in prices. Another cause of the high cost of living is the depreciation of the value of the leu abroad. At present the gold value of the leu is 2½ Swiss centimes. It is easily understood that when we have to pay gold values for agricultural implements and machinery ordered from abroad, producers naturally endeavor to raise their prices to the world parity, and this tendency cannot be counteracted either by price-fixing or usury laws.

China

The Chairman of the Hong Kong & Shanghai Banking Corporation, Mr. A. O. Lang, at the recent annual meeting of that Corporation, touched upon the growth of the cotton goods industry in Shanghai as follows:

The cotton mill industry in Shanghai continues to expand; there are now about two million native spindles on operation, compared with 1,600,000 in 1921, and 1,300,000 in 1920. Indian yarn has been the principal sufferer by the growth of this local enterprise. Several—indeed, most—of the native mills have started with inadequate capital, and it is feared that troublous times are ahead of some of them.

It has seemed strange that China and India should for so long have been great markets for cotton goods without developing a cotton goods industry able to supply their own wants, although both countries have an abundant supply of very cheap labor. Although the industry is growing, it is still far from sufficient to supply the home market. This goes far to show the fallacy of the idea that cheap labor of itself makes a country a formidable competitor in international trade. Intelligent and skillful labor, equipped with the best machinery, can give lower production costs at high wages than inefficient labor at the wages prevailing in Asia. Wages rise in all countries as the labor becomes more skillful and productive, just as the prices of all goods tend to be adjusted to intrinsic values.

Mr. Lang was very pronounced in his opinions about the political situation in China. He said:

The political history of China during the past year has again been one of deep disappointment; and the general condition of the country, so far from realizing the fair expectations raised by its delegates at the Washington Conference, has become steadily worse. The standing army is larger than ever, and continues not only to be a crushing financial burden upon the country, but its ill-disciplined units have become a serious menace to both foreign and Chinese life and property everywhere outside the protection of treaty ports. Bands of brigands, consisting of deserting or unpaid soldiery, maraud through the provinces, burning, looting, and kidnapping with impunity; while the whole country continues to be rent by ever-shifting political dissensions and military intrigues. The Peking Government, central only in name, is a puppet in the hands of contending Tuchuns. The railways are over-run, their traffic disorganized, and their equipment damaged by hordes of disorderly troops. The revenues which should go to maintain the railways and to pay the service of the foreign loans secured on them, are appropriated at their source by the military authorities.

Overshadowing this chaotic condition of affairs like a dark cloud is the load of unsecured indebtedness, foreign and internal—an indebtedness with which the Peking Government, in its present circumstances, has shown itself entirely unable to deal unaided; but which, measured by the area, wealth, and population of the country, would, if properly consolidated, entitle China to be placed almost at the head of the solvent nations of the world. So long as present conditions persist, however, and until the the people of China show their determination to insist upon effective measures being taken by the Government for the disbandment of troops, the consolidation of the unsecured debt, and the unification of the country, every attempt to assist her from outside must be regarded as futile. The Consortium, which was formed to give such assistance, must continue to stand by, a patient and passive spectator of events. No financial assistance which would serve the real interests of China, while at the same time securing protection of bondholders, is possible in existing circumstances.

After reading of such political incompetency, Americans will take no little satisfac-

tion in Mr. Lang's comments upon the government of the Philippine Islands. He says:

In the Philippines the wise and firm administration of General Wood is reducing the finances of the islands to order and has already brought the Philippine peso to its par value. The high prices obtainable for products of the islands, particularly sugar, thanks to the free market available for them in the United States, should soon produce renewed prosperity.

Canadian Cattle

In the June, 1922, number of this publication we commented upon importations of cattle from Canada as they would be affected by the then pending tariff bill as follows:

The importations of cattle from Canada are mainly "feeders", to be fattened on corn, of which comparatively little is grown in Canada. Our great ranges which have produced grass-grown cattle in the past are being converted into farms, and the prairies of Canada to some extent supplement them. At this very time we have an over-supply of corn in proportion to feeding animals. The ultimate market for the surplus of live-stock or meats in both Canada and the United States is Europe. If Canadian "feeders" come to this country for fattening, they will not only make a market for our surplus corn, but be converted into beef in our packing-houses, the offal will be fertilizer for our farms, cattle and meats will be transported over our railroads and in various ways the volume of our business will be increased.

In the case of fruits and vegetables there is a difference between the dates of ripening in this country and in Canada, Mexico and Cuba, which makes free movements between the countries desirable. Such reciprocity is as favorable to this country as to the others.

Arbitrary interference with natural trade relations, especially as between neighboring countries, is likely to cause undesirable irritation and ill feeling. Moreover, such duties are almost certain to be temporary, for taxes upon food are always unpopular in the centers of population which make states doubtful at the elections. Business will adapt itself to almost any conditions if they are permanent, but the worst feature of our tariff policy has always been its instability.

Importations of cattle into the United States are of no importance outside of those coming from Canada. From 1914 to 1921 no duty was imposed, but in 1921, when the farmers' bloc was organized in Congress and the emergency tariff was passed, a duty of 30 per cent advalorem was imposed, which was increased in the tariff act of 1922 by changing it to a specific duty of 1½ cents per pound upon cattle weighing under 1050 pounds each and 2 cents per pound on cattle weighing over 1050 pounds.

Now comes the American Farm Bureau Federation, the most important organization of farmers in the country, by its Washington representative, Mr. Gray Silver, and files an application with the United States Tariff Commission, asking it to use the authority vested in it, with the approval of the President, under the sliding scale provision of the tariff act, to nullify, so far as possible this tariff on cattle. The statement submitted on behalf of the Federation says:

The cattle tariff is presumably a protective, rather than a revenue tariff. Indeed, there is little doubt that those who framed the cattle paragraph in the 1922 act hoped it would be a prohibitive tariff. Therefore, it is not necessary to consider it from a revenue point of view; and, anyway, the revenue from that source is not important. It is our view that considered purely as a protective tariff it is a complete failure, viewed from the standpoint of any interest; and that instead of being protective it is absolutely inimical to an important element in our farming population.

The Tariff Commission made an investigation in 1922 of the effects of the 30 per cent emergency tariff, and Mr. Silver now quotes from its report in support of his own argument. He says:

Your Commission touched a vital spot in the whole problem when you pointed out in the report from which I have previously quoted that our imports of cattle from Canada and Mexico—the only sources—are almost entirely in the nature of raw material to be manufactured and turned into a finished product in this country. As you say, these cattle are kept on American farms or feed-lots for from three months to two years. In this process a market is created for our feeds, and our farmers, railroads, stockyards, dealers, packers and consumers benefit. No doubt, also, we profit by the reciprocal market for other products resulting from the commerce in cattle.

Mr. Silver proceeds with his own argument as follows:

Conditions in Western Canada are not favorable to a stock-finishing industry. The natural course is for the beef animals to be brought to the best possible grass-fed condition and shipped to the American corn-feeders for final conditioning. This process unites the grass lands of western Canada to the cornfields of the Mississippi Valley, and is a mutually beneficial relation. The tendency is for the numbers of our own range cattle to decrease; and that is or probably will be the tendency in Canada. The time may come when we might wish it were otherwise, but the chances are that Canada will not be able to increase materially the numbers of its range cattle; and perhaps even with free trade restored it will not be able to keep up the present proportion of its exports to the United States to the total number of cattle marketed in this country. Canada with 9,000,000 people has about 9,000,000 head of cattle while we with 110,000,000 people have 65,000,000 cattle. Following our course, the ratio of cattle to people will probably decrease in Canada as the country grows. There has been virtually no increase in cattle in Canada in 15 years.

Mr. Silver shows that the usual arguments for a protective tariff, based upon unfair or unwholesome labor conditions in the exporting country, do not apply in this case. He says:

There is nothing in transportation rates or in the cost of production or in proximity to our markets that gives the Canadian producer of stockers and feeders any advantage over our own producers. So far as I can gather most of the Canadian cattle that go directly through our markets to the block are from Ontario and Quebec. The total cattle shipments from those provinces to the United States appear to be only about one-tenth of the whole Canadian cattle export to us. Sixty-five per cent of the cattle Canada sends to us are stockers and feeders, mostly from Alberta, Saskatchewan and Manitoba (where the proportion is 85%), and they go principally to the Seattle, St. Paul and Chicago markets, with a much greater length of haul, than most of the domestic stockers and feeders in those markets, and as with domestic cattle of that kind, they are distributed to feed lots near the markets. St. Paul gets the bulk of the stockers and feeders from Canada.

Commenting upon the effects of this duty, Mr. Silver says that it has had the effect of reducing prices in Canada rather than of raising prices in the United States. The growers of the Canadian Northwest who had been encouraged by access to the United States market to go into the business of producing young cattle, have now practically no other market, and so far importations have been only slightly reduced, but prices in the Winnipeg market have declined. Mr. Silver says:

As times have got better our prices have got better, whereas the Canadian prices have dropped to a new low level as compared with ours. This was simply the result of better times on one side of the line and the curtailment of the price on the other side of the line because of the tariff Canada has an exportable surplus of cattle. Practically the only market for it has been in the United States, and the proportion of Canadian cattle in the United States markets has been so small that the seller had virtually nothing to do with prices. The Canadian seller has to take the United States market as it comes, and under such conditions he pays the tariff in the lower price he has to take to enter that market.

I do not think that it is necessary at this time to marshal an array of figures to prove what has already been proved in principle by your Commission, viz., that the effect of the cattle tariff is to lower Canadian prices rather than to raise ours. If that is true, this is an obnoxious tariff viewed on broad lines, for it has injured a good neighbor $15,000,000 a year without benefiting us.

He points out that if the growers of the Canadian Northwest continue to produce these feeders they probably will develop a direct trade with eastern Canada and Great Britain. He says of the tariff upon this point:

It tends to keep Canadian cattle in a separate compartment all the way from the ranges to the markets, there to compete with our product in the end, instead of merging them with our own at any early stage and keeping the control of the entire cattle business of the continent in our channels. While being wholly useless to us, it does injure the Canadians, and is an uncalled for contribution to commercial friction between the two countries, resulting undoubtedly in the gratuitous loss of a part of our best market for many, including agricultural products.

It thus appears from the testimony of the most important farm organization in this country, supported by the findings of the official body created to investigate the subject of customs tariffs, that at a time when agriculture was suffering severe depression we have by mistaken legislation dealt a hard blow to the stock-growers of our neighboring country, with practically no benefit to ourselves.

President Harding a few days ago made a most felicitous speech at Vancouver, in which he referred to the friendly intercourse between the peoples of the United States and Canada, the value of good understanding and the examples which the two countries afford to the countries of Europe. While his utterances are fresh in our minds it will be well to read the following extract from a memorial addressed a few months ago by the Western Cattle Growers' Association of Calgary to Chairman Winthrop of the United States Tariff Board, about this cattle tariff:

Our interest in a reduction of the United States duty on cattle is obvious and, while we appreciate that the subject is one of purely domestic determination we are convinced, from our long experience with cattle exportations to the United States and our familiarity with its markets, that though the present duty is very detrimental to our business, it is, on the other hand, of no benefit and of considerable detriment to the cattle industry of the United States.

For the most part the cattle we ship to the United States have been simply raw material for manufacture by your farmers.

It is our firm belief that any duty placed against Canadian cattle can in no way benefit American interests, for the reason that, although the duty is prohibitive, our surplus still goes to the United States market, and that they do so with no adverse affect to the American producer of stockers and feeders is proved by the extremely small percentage the Canadian importations represent when compared with the immense yearly marketing of the United States. * * *

As we see it, this loss to Canadian producers is without an iota of gain to American producers or consumers of beef. In consequence of this loss the purchasing power of our cattle raisers, who ordinarily consume large quantities of American manufactured goods and agricultural products, has been seriously reduced. * * *

Such legislation is provocative, and the influence of this tariff act, and possibly to some extent of the agitation for an embargo on exports of anthracite coal to Canada last Winter, may be traced in the recent act of the Dominion Parliament giving the executive authorities power to impose an embargo on exports of wood pulp from Canada. Wood pulp is a partially finished product, and it is argued Canada should insist upon having the pulp made into paper in Canada, thus necessitating the establishing of mills there and giving Canada larger benefits in recompense for the loss of her timber supply. There are always plausible arguments for a narrow national policy, but such policies are mutually disadvantageous to neighbors whose relations are naturally reciprocal, as in the case of this country and Canada.

We have heretofore pointed out that every dollar of credits created in this country by the sale of Canadian products is used in the purchase of our products, exports from this country to Canada uniformly exceeding our imports from Canada.

The sponsor for this duty was the farm bloc, and the case illustrates the evils of any domination which suppresses freedom of individual action in the Congress. The bloc was also a factor in the unfriendly effort to compel Cuba to restrict the present crop of sugar to 2,500,000 tons, and this failing participated in raising the sugar duty, at the expense of all sugar consumers in this country.

THE NEW POST-WAR CENSUS OF MANUFACTURES

It shows average wage payments slightly higher than in 1919. Value of output nearly double that of the pre-war year 1914.

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Announcement from Washington that the value of manufactures produced in the factories of the United States in 1921 was $43,653,-000,000 against $62,041,795,000 in 1919, and $23,987,860,000 in 1914 is especially interesting in supplying a basis for comparing our post-war manufacturing activities with those preceding the war. While the 1920 census, stating the output for 1919, showed enormous totals both in value of output, number of persons employed, and wages paid, the fact that the year 1919 immediately followed the close of the war, reduced the value of their use as a basis for comparison with the figures of the normal years preceding the war. Fortunately, however, Congress in 1920 enacted a law directing the Census Bureau to in future take censuses of manufactures at every second year instead of every fifth year as formerly, and under this new law that bureau took in 1922 a census of the factory operation in the calendar year 1921, and the figures of that census as to value of outturn, number of persons employed, and sums paid for wages and salaries, enable us to compare the condition of the manufacturing industries of the United States in the post-war peace year, 1921, with that of 1919 and the pre-war year 1914.

While the figures of 1921 are not absolutely comparable with those of earlier years by reason of the fact that the census figures of that year (1921) exclude returns from factories whose output was less than $5,000, the census bulletin presenting the figures states that the outturn of the excluded class was only three-tenths of one per cent of the total value of factory products of the country and that the number of wage earners in the excluded class was only six-tenths of one per cent of the total. To aid in a comparison of the 1921 figures with those of the two preceding censuses, 1919 and 1914, the census office supplies new figures for those years showing the value of the outturn and number of employes in those two censuses, exclusive of the factories having an outturn below $5,000, but does not extend this comparison to years earlier than 1914.

This comparison of the figures of manufactures in the first post-war peace year, 1921, with the figures of 1919 and the pre-war peace year 1914 stands in a few of the more important items as follows:

(000 Omitted)

	1921	1919	1914
Value of products......	$43,653,283	$62,041,795	$23,987,860
Wage earners (No.)	6,947	9,001	6,986
Wages paid	$8,200,324	$10,461,787	$4,067,719
Salaried employees (No.)	1,138	1,438	963
Salaries paid	$2,563,118	$2,880,868	$1,274,438
Total employees (No.)	8,085	10,439	7,859
Wages and salaries..	$10,763,442	$13,343,655	$5,342,157

That the manufacturing activities of the year represented by this latest census, 1921, may be considered as slightly below the average of the post-war period is evidenced by the fact that the value of crude manufacturing material imported in 1921 was but $853,000,000 against $1,752,000,000 in 1920, $1,162,000,000 in 1922, and approximately $1,500,000,000 in the fiscal year 1923, suggesting that the manufacturing activities of 1922 and 1923 are as great and perhaps greater than those of 1921, though this increase in the values of the manufacturing material imported in 1922 and 1923 may have been due in some degree to higher prices.

Perhaps the most striking feature of the census figures of 1921 lies in the fact that they indicate that the rate of wages paid has not only continued at the rate of 1919 but in fact shows a slight increase when comparing the average annual wage of 1921 with that of 1919. While there was a material reduction in the number of employes, both wage earners and those at a fixed salary, the average wage or salary paid per individual employe was not only as high in 1921 as in 1919 but apparently slightly higher, suggesting that there occurred an actual advance in the average factory wage in the two-year period, 1919-21. While this increase is small, the fact that there was an increase rather than a reduction is especially interesting.

A careful comparison of the census figures of wage earners and sum paid for wages in the two years named, 1921 and 1919, shows that while the number of wage earners declined 22.8 per cent the sum paid as wages declined but 21.6 per cent, suggesting that the average wage of 1921 must have been slightly higher than that of 1919. This suggestion is sustained by a comparison of the official figures of "average number of wage earners" with those of "wages paid" which comparison indicates that the average annual compensation to wage earners in 1921 was $1,180 against $1,162 in 1919. While this slight increase in the wage per individual is not large, it is at least sufficient to indicate that the predictions of a reduction in the rate of wages paid have not been realized and this is equally true in the payments made to salaried employes, to whom the average payment in 1921 was slightly higher than in 1919. Taking the entire group of factory employes, wage earners and salaried employes, the average payment per individual in 1921 was apparently $1,331 against $1,278 in 1919.